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TO AMEMBASSY MEXICO

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SUBJECT: INVENTORY OF MEXICO TRADE PROBLEMS

1. ONE OF THE KEY AREAS OF LATIN AMERICAN CONCERN HAS BEEN THAT OF US-LATIN AMERICAN TRADE ISSUES. THIS WAS HIGHLIGHTED BY THE MEXICO CITY AND WASHINGTON FOREIGN MINISTERS' MEETINGS AND BY AMBASSADOR EBERLE'S TRADE CONSULTATION TRIP TO LATIN AMERICA. AS A FOLLOW-UP TO THE SECRETARY'S INITIATIVES IN THE TRADE FIELD, THE DEPARTMENT IS IDENTIFYING THE SIGNIFICANT COUNTRY-SPECIFIC TRADE PROBLEMS OF THE REGION.

2. IN THIS CONNECTION, THE DEPARTMENT HAS PREPARED A PRELIMINARY INVENTORY OF SIGNIFICANT TRADE ISSUES AFFECTING MEXICO (SEE PARA. 3). THE ISSUES HAVE BEEN GROUPED UNDER
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FOUR GENERAL HEADINGS WHICH INCLUDE PROBLEMS THAT MEXICO

HAS WITH THE US AS WELL AS PROBLEMS WE HAVE WITH THEM. THE EMBASSY IS REQUESTED TO REVIEW THE LISTING AND SUBMIT ANY ADDITIONS OR COMMENTS BY SEPTEMBER 9.

3.A. PRINCIPAL MEXICAN TRADE PROBLEMS WITH THE US:

1. MEXICO NEEDS LONG RANGE UNIMPEDED ACCESS TO US MARKETS WITHOUT THREAT OF RESTRAINTS, ESPECIALLY FOR WINTER FRUITS AND VEGETABLES, BEEF, AND TEXTILES.

2. MEXICO FEELS HER TRADE RESTRAINED BY BOTH US TARIFF AND NON-TARIFF BARRIERS, INCLUDING HEALTH AND SAFETY REGULATIONS.

3. POTENTIAL DUMPING AND COUNTERVAILING ACTIONS (ON PICKERSTICKS AND ON STEEL PRODUCTS, RESPECTIVELY) COULD CAUSE SPECIAL PROBLEMS IN US-MEXICAN TRADE RELATIONS, ESPECIALLY IN VIEW OF MEXICO'S LARGE TRADE DEFICIT WITH THE US.

4. US-MEXICAN TRADE IS AFFECTED BY WORLD-WIDE PROBLEMS OF MATERIALS SHORTAGES, INCLUDING US EXPORT CONTROLS ON FERROUS SCRAP, AND SHORT AVAILABILITIES OF FERTILIZERS AND PLASTICS FEEDSTOCKS.

5. THE POSSIBLE ELIMINATION OF TSUS ITEMS 806.30 AND 807, WHICH ARE IMPORTANT TO THE OPERATION OF THE ASSEMBLY INDUSTRIES WHICH OPERATE PRINCIPALLY ALONG THE US-MEXICAN BORDER, IS A POTENTIAL TRADE PROBLEM.

B. PRINCIPAL US TRADE PROBLEMS WITH MEXICO:

1. US EXPORTS TO MEXICO ARE HINDERED BY LICENSING REQUIREMENTS WHICH APPLY TO OVER 60 PERCENT OF ALL MEXICAN IMPORTS. IN ADDITION TO LICENSING PROBLEMS, US BUSINESSMEN FIND THAT AN INORDINATE AMOUNT OF "RED TAPE" HINDERS THEIR EFFORTS TO EXPORT TO THE MEXICAN MARKET.

2. MEXICAN REFUSAL TO ALLOW US ACCESS TO THEIR MARKET FOR ITEMS WHICH THEY EXPORT ON A COMPETITIVE BASIS IS A PROBLIMITED OFFICIAL USE

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LEM IN US TRADE RELATIONS WITH MEXICO.

3. THERE HAVE BEEN INSTANCES OF FAILURE TO ABIDE BY THE TERMS OF NEGOTIATED CONTRACTS, INCLUDING, FOR EXAMPLE, GOM REQUIREMENTS FOR SUPPLIERS TO RENEGOTIATE CONTRACTS OR TO WITHHOLD SHIPMENTS FOR A PERIOD OF TIME.

4. OFFICIAL PRICING AND STATE TRADING ARRANGEMENTS CAUSE

PROBLEMS FOR US EXPORTERS.

5. THE US WILL SHORTLY BE NEGOTIATING A NEW BILATERAL TEXTILE AGREEMENT WITH MEXICO UNDER THE TERMS OF THE RECENTLY CONCLUDED MULTI-FIBER ARRANGEMENT, TO CONTROL MEXICAN EXPORTS OF TEXTILES AND WEARING APPAREL, OF BOTH COTTON AND MAN-MADE FIBER, TO THE US.

6. THE USG IS INTERESTED IN HAVING THE GOM ALLOW MEANINGFUL MARKETING OF PRODUCTION FROM THE ASSEMBLY INDUSTRIES WHICH OPERATE IN MEXICO USING US MADE COMPONENTS (SEE 3.A.5.) PARTIALLY AS A COUNTER TO US LABOR PRESSURE FOR TERMINATION OF THE SPECIAL TARIFF PROVISIONS WHICH APPLY TO US IMPORTS OF THESE INDUSTRIES' PRODUCTS.

7. MEXICO WOULD LIKE A LOWER US TARIFF ON TEQUILA; US BOURBON PRODUCERS, IN TURN, WOULD LIKE TO EXPORT BOURBON AT HIGH STRENGTH AND REBOTTLE AT POTABLE STRENGTH IN MEXICO FOR SALE THERE.

C. PRINCIPAL MEXICAN TRADE PROBLEMS WITH OTHER LATIN AMERICAN COUNTRIES:

1. IN 1973, MEXICO, FOR THE FIRST TIME SINCE THE INCEPTION OF LAFTA, HAD A TRADE DEFICIT WITH ITS LAFTA PARTNERS. THE PROBLEM SEEMS TO BE RELATED TO NON-COMPETITIVE GOODS AND A NEED FOR MORE "HUSTLE" IN MEXICAN SALES EFFORTS IN LATIN AMERICA.

D. PRINCIPAL MEXICAN TRADE PROBLEMS WITH NON-HEMISPHERIC COUNTRIES:

1. MEXICO WOULD LIKE GREATER ACCESS TO EC MARKETS.

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2. MEXICAN BUSINESSMEN NEED TO BECOME REORIENTED TO NEW MARKET AREAS. KISSINGER

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